

## Performance Based Service Contracting (PBSC)

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## P B S C

P - Performance is Better  
B - Budgets Go Further  
S - Savings Can Be Used  
C - Costs Are Lower

## Definition of PBSC

- Performance Based Service Contracting (PBSC) means structuring all aspects of an acquisition around the purpose of the work to be performed.

## Federal Procurement Spending

- Total Procurement – Approx \$250 Billion
- Services – Almost 54%
- Continues to be an upward trend.

## Past Problems in Service Contracting

- Poorly Defined Statements of Work (SOWs)
- Performance Problems
- Lack of Contract Administration
- Performance Delays
- Inability to measure true performance
- Cost Overruns

## OFPP Policy Letter 91-2

- Emphasizes use of performance and quality standards
- Define results NOT process
- Develop Quality Assurance Plans
- Use Incentives and Deductions

## Federal Acquisition Regulation

- Issued in FAR (FAC 97-1)
- Published in Federal Register (8-22-97)
- Amends FAR Parts 7, 15, 16, 37, 46 & 52
- Implements OFPP Policy Letter & more
- Requires PBSC application

## FAR 37.601 PBSC General

- PBSC methods are intended to ensure that required performance quality levels are achieved and that total payment is related to the degree that services performed meet contract standards

## FAR

- Performance-based contracts---
  - » Describe requirements in terms of results
  - » Use measurable performance standards
  - » Specify procedures for reductions of fee or price when services are not performed
  - » Include performance incentives, where appropriate
  - » Use a Quality Assurance Plan (46.103&46.401)

## PILOTS

- OFPP Pilots
- PBSC Pledge and Industry Support
- Preliminary Results
  - » Savings Range 2% - 62%
  - » Common Savings 15% - 20%
  - » All reported better performance and increased customer satisfaction

## PBSC Successes:

- At Johnson Space Center, NASA conversion of custodial services resulted in 46% savings
- The Railroad Retirement Board saved 30% on Data Entry conversion and reported improved productivity
- Naval Air Systems Command applied PBSC to a \$350M aircraft maintenance contract; achieved immediate savings of \$25M, with additional savings anticipated. Preaward process a month less.
- DOE anticipates savings of \$1.8M over 5 years for decontamination laundry services converted to a competitive, fixed price, PBSC.

## PBSC

- Not unique concept - compilation of basic practices into one contract management plan.
- AS BIG AND COMPLEX or as small and easy as the requirements dictate
- Puts the burden of contract performance on the contractor.

## PBSC Statement of Work

- Measurable outcomes or outputs of the work - Allow contractor maximum flexibility without government interference.
- Specific procedures for reduction of price or fee to reflect value of the service performed.
  - » Not negative incentive
  - » Reduced payment for reduced service

## PBSC Elements

- Performance Standards
- Performance Requirements
- Incentives and/or Deductions
- Quality Assurance or Contract Administration Plans

## Outcome/Output Standards

- Outcome - All users fully know how to use the ABC system to the extent necessary to manage their workload without additional assistance.
- Output - Contractor shall provide a training class each month for each software program on the ABC computer system.

Performance Requirements Summary

Required Service	Performance Standard	AQL	Surveillance Method	Task value %
Provide User Training	All organization users fully know how to use the ABC System to the extent necessary to manage their workload.	4.0%	Random sampling  (lot = # of users)	30%
Maintain System	ABC System is fully operational to all users during the month between the hours of 6:00 a.m. and 9:00 p.m. EST Monday through Friday, excluding Federal Holidays.	1.0%	100% Inspection  (lot = # of required operational hours)	40%

## FAR 46.401

- (a) QASPs should be prepared in conjunction with the statement of work. The plans should specify:
  - » All work requiring surveillance; and
  - » The method of surveillance.
- (f) Inspection shall be documented on in inspection or receiving report form.

## Quality Assurance Plan

- Written procedure for each service to assess contractor performance against the standards with the use of the minimum amount of government resources and minimum disruption of contractors operation

## Administration Goals

- OMB Director Memo - February 14, 2001
  - » Greater use of Performance-based contracts is a Presidential Government-wide Reform
  - » Include in FY 2002 Performance Plan

## How Do I Make PBSCs Green?

## Benefits of Using PBSC

- Demonstrates Significant Cost Savings
- Enhances Quality through well-defined performance standards which help improve performance
- Stimulates contractor innovation and flexibility
- Shifts cost and performance risk to the contractor

## PBSC Benefits Are Real

- Eliminates Detailed SOWs
  - » "O" Loophole Contracts
  - » Places Burden of Performance on Contractor
- Eliminates Unstructured Inspections
  - » Focus on Outcome and Not Processes
- Achieves better results at less cost.

## Resources

- FAR Part 37 (Federal Register 8-22-97)
- OFPP Best Practices Guide on PBSC
- ARNET ([www.arnet.gov](http://www.arnet.gov))
- Templates
  - » OFPP Models
  - » 300+ DoD, Air Force, Army, Navy Contracts on Internet

## Need Additional Information:

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